

**To the Mayor and Members of the City Council****March 5, 2019**

Page 1 of 2

**SUBJECT: NEW CONTINUING DISCLOSURE AGREEMENT
WITH TRINITY RIVER AUTHORITY**

This informal report is intended to provide the Mayor and City Council with a summary of the recently effective changes to federal rules governing disclosure of information related to municipal debt, changes which prompted an update to the City's continuing disclosure agreement with Trinity River Authority (TRA).

Summary

Periodically, the City, on behalf of its Water and Sewer System enters into agreements with Trinity River Authority for improvements and services that benefit customers of the City's Water and Sewer System. An example of such agreements includes financing the construction of offsite water and sewer mains for the Sendera Ranch Development (M&C C-19112). In that transaction, the TRA agreed to provide financing for the design and construction of the water and sewer infrastructure since the development is located in the TRA service area served by the Denton Creek Wastewater Treatment Plant. The agreement provided for the TRA to issue bonds payable from and secured by payments made by the City's water and sewer system, sufficient to fund the cost of design and construction of the required facilities. As such, the City's contract payments are the revenue source that is pledged to pay the debt issued by the TRA. This structure makes the City an obligated party with respect to those TRA bonds and subjects the City to certain continuing disclosure obligations.

In 1996, the City entered into a continuing disclosure agreement with TRA (M&C G-11388) in order to maintain compliance with general rules provided by the Federal Securities Exchange Commission (SEC). On August 15th, 2018, the SEC adopted amendments to enhance transparency in the municipal securities market. The adopted amendments to Rule 15c2-12 of the Securities Exchange Act will focus on material financial obligations that could impact an issuer's liquidity, overall creditworthiness, or an existing security holder's rights. The amendments add two new types of events for which disclosure is required under the rule:

- Incurrence of a financial obligation of the [issuer or other] obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the [issuer or other] obligated person, any of which affect security holders, if material.
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the [issuer or other] obligated person, any of which reflect financial difficulties.

The amendments are effective as of February 27th, 2019, and TRA has requested the new continuing disclosure agreement be executed no later than the end of March so that it is in place before the authority issues debt this spring.



To the Mayor and Members of the City Council

March 5, 2019

Page 2 of 2

**SUBJECT: NEW CONTINUING DISCLOSURE AGREEMENT
WITH TRINITY RIVER AUTHORITY**

March 19th Resolution to Continuing Disclosure Agreement with TRA

On March 19th, the City finance team plans to present Mayor and Council with a proposed resolution authorizing a new continuing disclosure agreement that will incorporate the newly adopted SEC amendments to rule 15c2-12.

If you have any questions, please call Kevin Gunn, Interim Chief Financial Officer, at 817-392-8500.

**David Cooke
City Manager**